

**OFFICE OF
TRUST FUNDS
MANAGEMENT**

TRUST

Bureau of Indian Affairs

October 1, 1995

Vol. 4 No. 4

Inside: TRUST

OTFM Phones:

Save this new phone list for OTFM.

Page 2

Systems:

Here's how to print multiple page reports.

Page 9

Review of draft Trust Act of 94 guidelines:

Tribal comments noted.

Page 8

Past Reconciliation Branch:

Five tribes to get their reports.

Page 6

Investments:

A tribe head back to Trust Funds investment..

Page 7

A tribe utilizes the new Trust Funds Reform Act.

Page 7

In the next issue:

The past reconciliation shifts into Phase II.

Interview

Special Trustee gives his views on Trust's future

Paul Homan views his career in rehabilitating financial operations as being a builder for the future.

"I'm more of a builder than a fixer," Homan said. "But as a builder you learn that you need a strong foundation. Sometimes this requires fixing existing problems that weaken the foundation. Then you can start building confidently for the future."

Homan was confirmed by the Senate and sworn in as Special Trustee over the Department of the Interior's Indian trust fund matters.

He says that he will stay as long as it takes

to help clear up the major issues confronting Trust Funds Management.

Homan's interview begins on Page 3.



Special Trustee Paul Homan and Acting Director of the Office of Trust Funds Management Donna Erwin prepare for tribal consultation in Las Vegas last month.

Basic Reconciliation

20 years has December fini

The reconciliation of tribal trust funds for 20 years from FY73 will be wrapped up in December when reconciliation contractor Arthur Andersen & Co. delivers tribal reports/statements to the Bureau.

The reconciliation featured a mas-

sive, coordinated effort to gather all BIA tribal trust records for those 20 years and a detailed review and reconciliation of the records to determine the Bureau's accuracy in processing tribal trust transactions.

Continued on Page 6

Two tribes head different investment directions

Mescalero Apaches withdraw their funds under the Trust Act

The Mescalero Apache tribe of southern New Mexico was the first tribe to utilize the American Indian Trust Fund Management Reform Act of 1994 to withdraw tribal trust funds.

The tribe withdrew \$10 million on July 31, leaving over \$4 million in BIA trust.

The tribe acknowledged in its submitted management plan that "the Tribe will not hold the BIA liable for any losses due to market conditions if the BIA investments are cashed in prior to their stated maturity."

"The Tribe believes in self-determination and one avenue to establish true sovereignty is to have income and growth from the Tribe's Investment Account assets meet current program needs as well as those of future generations," the plan said.

The Tribe indicated that its Investment Accounts have two important functions:

- * To create a management structure for the Tribe's funds and investments.

- * To establish the Investment Account and spending policies in a manner that will maximize the total return on the funds within the needs set forth by the Tribe.

The Tribe intends to fully diversify the Investment Accounts over time into viable asset categories via professional management in order to eliminate dependence on one or two asset categories which could adversely effect total return. And when the value of the Investment Accounts assets exceed \$10 million, no more than 50 percent of the Investment Accounts may be assigned to one Investment Manager.

The Tribe's stated Investment Objective is to produce growth and to produce income sufficient to support current and future program objectives.

"As income distributions shall be taken from the total return of the funds, the Investment Managers should concentrate their efforts on total return, which will increase the corpus of the funds and thereby increase the purchasing power of the assets under management."

Paiute-Shoshone of Nev. may return funds to BIA Trust

The Fallon (Nevada) Paiute-Shoshone tribes may decide to place some \$15 million into BIA trust accounts to be invested by the Office of Trust Funds Management's Branch of Investments.

"When we compared the rate of return on our investments from the activities of our two private investments firms with what we were getting from our investments with the Bureau (OTFM), the Bureau was earning more money -- over a nine month period in this calendar year," said Tribal Chairman Alvin Moyle.

The Tribe has about \$15 million with the two investment firms and some \$12 million being invested by OTFM. The tribe is receiving \$43 million total from the Water Rights Settlement Act of 1990. The money is received through the Bureau but the Tribal Council three years ago opted to invest much of it with the private investment firms.

"Now the Tribal Council and a number of tribal members are concerned that we are gambling with our money," Moyle said. "So I'd say 40 percent of our decision to return to the Bureau is because there is no-risk if we go with the Bureau" because of the Secretary of the Interior's fiduciary responsibilities as Trustee of the tribal trust funds.

Moyle, who became chairman in February, said currently the tribes' legal counsel is checking on possible penalties connected with its current holdings that may occur if the switch is made to OTFM.

Funds invested under trust of the Bureau are of no cost to the tribe. There are no fees charged. Tribes can give their preference of their trust funds or allow OTFM's Branch of Investments personnel to coordinate and implement prudent investments, in consideration with a tribe's needs for liquidity.

The BIA has contracted to provide centralized custodial services to enhance safekeeping of securities and allow for timely settlement of trades and immediate collection of funds for reinvestment.

COPY